

Message Text

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ACTION EUR-12

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TAGS: EFIN, EEC

SUBJECT: EC MONETARY COMMITTEE DISCUSSES IMF GOLD POLICIES

REF: EC BRUSSELS 7297

1. BEGIN SUMMARY: THE EC MONETARY COMMITTEE AGREES THAT IMF GOLD SALES AND GOLD RESTITUTION TO IMF MEMBERS SHOULD BE CARRIED OUT CONCURRENTLY, WITHOUT WAITING FOR RATIFICATION OF AMENDMENTS TO THE IMF ARTICLES. THE COMMITTEE FAVORS AN AMENDMENT TO REDUCE BOTH GOLD AND RESERVE CURRENCIES AS RESERVE ASSETS. END SUMMARY.

2. THE EC MONETARY COMMITTEE ON OCTOBER 6 DISCUSSED THE PROBLEM OF SYMMETRY BETWEEN GOLD SALES FOR THE BENEFIT OF DEVELOPING COUNTRIES (LDCS) AND THE RESTITUTION OF GOLD TO IMF MEMBERS. THE COMMITTEE AGREED THAT AN OPERATIONAL PROCEDURE SHOULD BE FOUND TO MAKE IT POSSIBLE TO CARRY OUT BOTH OPERATIONS CONCURRENTLY AND ON A SATISFACTORY SCALE, WITHOUT WAITING FOR THE RATIFICATION OF AMENDMENTS TO THE IMF ARTICLE. THE COMMITTEE FELT THE EXISTING MEASURES TO REPLENISH IMF'S HOLDINGS OF SCARCE CURRENCIES (IMF ARTICLE VII, 2) PROVIDE THE BASIS FOR SUCH A PROCEDURE. THE COMMITTEE DECIDED TO ASK THE IMF EXECUTIVE DIRECTORS OF

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THE MEMBER STATES TO LOOK INTO THE LEGAL ASPECTS OF THIS

PROPOSED SOLUTION. SHOULD THE LEGAL QUESTIONS BE CLEARED UP, THE COMMITTEE WILL THEN EXAMINE THE PRACTICAL IMPLICATIONS OF THIS PROPOSED PROCEDURE.

3. COMMISSION OFFICIALS SAY THE MEMBER STATES AGREE THAT THE IMF SHOULD NOT BEGIN SELLING GOLD FOR THE BENEFIT OF THE LDGS UNTIL THERE IS A CLEAR UNDERSTANDING THAT THERE WOULD ALSO BE GOLD RESTITUTION TO IMF MEMBERS. OTHERWISE, THEY ARE FEARFUL THAT GOLD SALES WOULD TAKE PLACE WITHOUT A FINAL IMF AGREEMENT ON GOLD RESTITUTION. NO FIGURE WAS SPECIFIED AS TO WHAT WOULD CONSTITUTE A SATISFACTORY SCALE FOR THESE OPERATIONS. WHEN ASKED WHAT MEASURES WERE CONTEMPLATED TO PREVENT A DEPRECIATION IN THE PRICE OF GOLD ONCE SALES BEGAN, COMMISSION OFFICIALS SAID THAT THE EC AND OTHERS HAVE AND UNDERSTANDING WITH THE US ON THIS MATTER. CENTRAL BANKS MAY PURCHASE GOLD IN ORDER TO HELP STABILIZE THE PRICE WHEN THE IMF SALES TAKE PLACE.

4. THE COMMITTEE ALSO REAFFIRMED THE EC'S PREVIOUS POSITION THAT THE PROPOSED AMENDMENTS TO THE IMF ARTICLES SHOULD INCLUDE A CLAUSE REGARDING IMF COLLABORATION ON GOLD POLICY. THIS CLAUSE SHOULD MENTION THE REDUCTION OF BOTH GOLD AND RESERVE CURRENCIES AS RESERVE ASSETS. SHOULD SUCH A STATEMENT BE UNACCEPTABLE TO THE IMF AS A WHOLE (I.E. SHOULD THE US OPPOSE IT), MOST MEMBER STATES WOULD AGREE TO ELIMINATE ALL REFERENCES TO THE REDUCTION OF THE ROLE OF GOLD AND RESERVE CURRENCIES. BUT, THEY WOULD STILL WANT IMF AGREEMENT ON A CLAUSE STATING THAT SDRS SHOULD BECOME THE CENTRAL RESERVE ASSET OF THE REFORMED SYSTEM. FRENCH AND BELGIAN REPRESENTATIVES OPPOSED ANY CONCESSIONS REGARDING THE ROLE OF RESERVE CURRENCIES AND ASKED THAT THE COMMITTEE CONFIRM ITS ORIGINAL POSITION. THE COMMITTEE WAS UNANIMOUS IN AGREEING THAT A PROPOSAL MENTIONING ONLY A REDUCTION IN THE ROLE OF GOLD WOULD BE UNACCEPTABLE.

5. BELGIUM RAISED THE POSSIBILITY OF CONSIDERING THE ESTABLISHMENT OF AN IMF GOLD SUBSTITUTION ACCOUNT. THE OTHER MEMBER STATE REPRESENTATIVES WERE NOT INTERESTED IN TAKING UP THIS MATTER BUT AGREED TO CONSIDER A BELGIAN PAPER ON THIS SUBJECT AT THE NOVEMBER MEETING.

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6. THE COMMITTEE DID NOT DISCUSS IMF EXCHANGE RATE ARRANGEMENTS. IT ALSO DID NOT DECIDE ON A PROPOSAL THAT IT SHOULD COORDINATE VIEWS ON VARIOUS PROPOSALS AFFECTING IMF OPERATIONS, SUCH AS EXPANDING THE COMPENSATORY FINANCING FACILITY AND ESTABLISHING A TRUST FUND. THE COMMITTEE THOUGHT IT WOULD BE PREMATURE TO TAKE UP THESE PROPOSALS AT THIS TIME AND NO DECISION WAS TAKEN ON WHETHER TO INCLUDE THEM ON THE AGENDA

OF THE NOVEMBER MEETING. GREENWALD

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